

Message Text

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ACTION NODS-00

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FM AMEMBASSY PARIS

TO SECSTATE WASHDC 4115 IMMEDIATE

S E C R E T SECTIION 2 OF 2 PARIS 26521

NODIS/CHEROKEE

\$5 TO \$10 PER TON OVER MARKET. THIS REPRESENTS A TANGIBLE CONTRIBUTION OF \$20 TO 30 MILLION ANNUALLY MADE IN THE HOPES THAT THIS WOULD CONTRIBUTE TO THE LIFTING OF THE GRAIN MORATORIUM.

3. IN SOVIET EYES THERE IS NO ECONOMIC JUSTIFICATION FOR PUSHING BEYOND THE CONCESSIONS EXTRACTED TO DATE. THE USSR SEES OUR CONTINUED EFFORTS AS BASED ON THE POLITICAL OBJECTIVE OF HUMILIATING THEM IN THE EYES OF THE WORLD. IN MY JUDGMENT, THERE IS NO POSSIBILITY OF FORCING THIS OUTCOME MUCH, IF ANY, BEYOND THAT WHICH WE HAVE ALREADY ACHIEVED BY LINKING THE GRAIN AND OIL AGREEMENTS.

4. MY COMMENTS IN PARAGRAPH 2 ABOVE ASSUME THAT THERE WAS NOT AN UNDERSTANDING ON AN OIL PRICE DISCOUNT IN MEETINGS BETWEEN BREZHNEV AND PRESIDENT FORD IN HELSINKI. IF THERE WAS SUCH AN UNDERSTANDING, WE SHOULD CERTAINLY CASH IN ON IT IN CONNECTION WITH MY CURRENT NEGOTIATIONS, I UNDERSTAND FROM PATOLECHEV, HOWEVER, THAT THIS WAS NOT THE CASE. IN ANY EVENT, IF WE ARE TO OBTAIN A FURTHER DISCOUNT ON OIL PRICING IT MUST, IN MY JUDGMENT, COME FROM PRESSURE APPLIED AT THE HIGHEST LEVEL.

5. IN MY MESSAGES FROM MOSCOW DURING THE PAST 10 DAYS, I URGED THAT WE COMPLETE NEGOTIATION OF THESE AGREEMENTS BY THE TIME OF RELEASE OF THE OCTOBER 10 CROP REPORT. I INDICATED THAT THE ATMOSPHERE IN WHICH WE COULD ACHIEVE OPTIMUM GAIN IN THIS NEGOTIATION WOULD DEGENERATE RAPIDLY AFTER THAT DATE. I AM NOW CONCERNED THAT DEGENERATION HAS BEGUN. ON OCTOBER 10
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WE TOOK THE FOLLOWING ACTION:

A. WE ANNOUNCED A FAVORABLE CROP REPORT, WITH AN INCREASE IN ESTIMATED SUPPLIES OVER THE SEPTEMBER REPORT.

B. WE LIFTED THE MORATORIUM ON GRAIN EXPORTS TO POLAND,

WHICH WAS PARTICULARLY IRRITATING TO THE SOVIETS BECAUSE OF CONCERN OVER SPECIAL US-POLAND RELATIONS AND DISCRIMINATION AGAINST THEM.

C. WE ANNOUNCED THAT WE WERE CONTINUING THE MORATORIUM AGAINST THE USSR TO MAINTAIN "BARGAINING LEVERAGE" WHICH THE SOVIET FIND PARTICULARLY HUMILIATING.

6. THE SOVIET REACTION TO THE STEPS OUTLINED IN PARAGRAPH 4 ABOVE HAS BEEN HARSH AND BITTER, AS REPORTED REFTELS A AND B. TO CONTINUE TO PRESS FOR A SIGNIFICANT OIL PRICE DISCOUNT AT THIS TIME COULD GENERATE EVEN MORE SERIOUS PROBLEMS THAN I FEEL WE HAVE DEVELOPED TO DATE. THE FACT THAT CONTINUED PRESSURE ON MY PART WILL SHATTER MY PERSONAL RELATIONSHIP WITH SOVIET OFFICIALS IS NOT RELEVANT. WHAT IS OF MUCH MORE SERIOUS CONCERN TO ME IS THE INDICATION OF BITTERNESS IN PATOLICHEV'S COMMENTS REGARDING YOU PERSONALLY AND INCREASINGLY NEGATIVE COMMENTS REGARDING PRESIDENT FORD. IN VIEW OF THE CLOSE WORKING RELATIONSHIP BETWEEN PATOLICHEV AND BREZHNEV ON THESE NEGOTIATIONS, IT IS APPARENT THAT THIS REFLECTS A GROWING ATTITUDE OF IRRITATION AT THE TOP.

7. TO PREVENT FURTHER DETERIORATION IN US/USSR RELATIONS, I URGE CONSIDERATION OF THE FOLLOWING PLAN:

A. THROUGH HIGHEST LEVEL CHANNELS ATTEMPT TO ESTABLISH A VERBAL UNDERSTANDING REGARDING MAGNITUDE OF POSSIBLE OIL PRICE DISCOUNT, IF SUCH A DISCOUNT IS CONSISTENT WITH PREVIOUS UNDERSTANDINGS.

B. THAT I RETURN TO MOSCOW ON WEDNESDAY WITH AUTHORITY TO DISCUSS WITH PATOLICHEV SOME PROMPT COMPROMISE ON TRANSPORTATION ARRANGEMENTS AND DEFERRED PAYMENTS ON OIL PURCHASES, RECOGNIZING THAT THESE MAY NOT BE DRAMATIC OR OBTAINABLE IN WRITTEN FORM IN THE LETTER OF INTENT OR SIDE LETTER.

C. WITH WHATEVER NEW BENEFITS WE CAN OBTAIN CONSISTENT WITH PARAGRAPH 7A & B ABOVE AUTHORIZE ME TO SIGN BOTH THE GRAIN AGREEMENT AND THE OIL LETTER OF INTENT BASED ON REFTEL A, WITH THE UNDERSTANDING THAT THE MORATORIUM ON GRAIN EXPORTS TO THE USSR WOULD BE LIFTED IMMEDIATELY TO THE EXTENT
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OF ANOTHER 5.0 MILLION TONS FOR THE CURRENT YEAR.

D. ARRANGE WITH USSR FOR JOINT ANNOUNCEMENT OF CONCLUSION OF THESE AGREEMENTS STRESSING COOPERATION AND THE IMPORTANCE OF THESE STEPS IN GIVING FURTHER SUBSTANCE AND STRENGTH TO DETENTE.

8. I BELIEVE THAT I CAN OBTAIN SOME COMPROMISE FROM PATOLICHEV BUT PROBABLY NOT IN THE FORM OF A COMMITMENT WHICH CAN BE USED PUBLICLY AS EVIDENCE OF OUR USE OF AGRO-POWER TO EXTRACT OIL RELATED CONCESSIONS. FURTHERMORE, WE CAN STILL MAINTAIN EFFECTIVE LEVERAGE ON THE SOVIETS THROUGH:

A. CONTINUED CONTROL OVER SUPPLEMENTAL GRAIN SALES ABOVE THE 5.0 MILLION TONS WHICH THE SOVIETS HAD PREVIOUSLY INDICATED

THEY WANTED TO PURCHASE IN THE CURRENT YEAR.

B. THE MARITIME AGREEMENT WHICH THE SOVIETS WANT
TO EXTEND TO ASSURE PROFITABLE ACCESS TO U.S. PORTS.

C. THE PROMISE OF A BROADER U.S. INVOLVEMENT
IN ENERGY DEVELOPMENT IN THE USSR, INCLUDING SUPPLY OF
ADVANCED TECHNOLOGY AND EQUIPMENT THROUGH WHICH PRODUCTION FORM
EXPORTING FACILITIES COULD BE EXPANDED PROMPTLY.

9. I BELIEVE THAT WE HAVE ACHIEVED SIGNIFICANT SUCCESS IN
NEGOTIATING GRAIN/OIL AND MARITIME AGREEMENTS WITH THE SOVIETS
USING LEVERAGE OF OUR MORATORIUM ON ADDITIONAL GRAIN SHIPMENTS.
THESE CAN BE DESCRIBED IN A WAY THAT THEY WILL BE PERCEIVED AS
BENEFICIAL TO FARMERS, CONSUMERS AND MARITIME INTERESTS IN THE
U.S. I URGE THAT WE PROCEED PROMPTLY TO CAPITALIZE ON THE
SUCCESS WHICH HAS BEEN ACHIEVED TO DATE LARGELY THROUGH YOUR
INITIATIVE.
RUSH

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